

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
2000 Biennial Regulatory Review –)	CC Docket No. 00-199
Comprehensive Review of the Accounting)	
Requirements and ARMIS Reporting)	
Requirements for Incumbent Local Exchange)	
Carriers: Phase 2)	
)	
Jurisdictional Separations Reform and Referral)	CC Docket No. 80-286
to the Federal-State Joint Board)	
)	
Local Competition and Broadband Reporting)	CC Docket No. 99-301

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
REPLY COMMENTS (Issue B)**

The National Telecommunications Cooperative Association (NTCA)¹ hereby files reply comments in response to the Federal Communications Commission’s (Commission’s or FCC’s) Notice of Proposed Rulemaking (NPRM) in the above-captioned proceeding.

NTCA observes that comments in this proceeding are primarily made in reference to whether or not there is a continuing need for the Universal System Of Accounts (USOA) by the large ILECs. Even in that context there is a great deal of opposition to the elimination of USOA requirements.

¹ NTCA is a non-profit corporation established in 1954 and represents 550 rate-of-return regulated rural telecommunications companies. NTCA members are full service telecommunications carriers providing local, wireless, cable, Internet, satellite and long distance services to their communities. All NTCA members are small carriers that are defined as “rural telephone companies” in the Communications Act of 1934, as amended (Act). They are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

State commissions in Indiana² and Michigan, as well as the National Association of Regulatory Utility Commissioners (NARUC) oppose elimination of the USOA absent a finding of non-dominance.

The Illinois Commerce Commission (Illinois) identifies a long list of adverse consequences that would result from elimination of the USOA. Illinois says that elimination of the FCC's USOA "would force states to develop and maintain a state USOA." Illinois says this "would create a proliferation of different systems of accounts throughout the nation." Illinois asserts that "the FCC's objective of streamlining record-keeping would not only not be achieved, but the record-keeping burdens would be significantly increased."³ NTCA agrees that it would be very undesirable to substitute state USOA's for the FCC's USOA. We also agree with Illinois that data would not be comparable between jurisdictions.⁴ The latter raises a whole host of jurisdictional separations and rate-making questions for rate-of-return carriers. There are also implications involving universal service support in terms of determining reasonably comparable rates and sufficient support.

NTCA agrees with the preponderance of comments received in this proceeding. Many comments argue for retaining USOA for the large carriers. Regardless of the Commission's decision on USOA for large carriers, the Commission absolutely should not eliminate the use of USOA for rate-of-return LECs. The entire basis for setting just and reasonable rates for rate-of-return carriers depends upon USOA. These carriers depend upon receiving the revenue requirement to recover all costs allocated to regulated services and to earn a fair return on their investment.

² See generally, Indiana Utility Regulatory Commission comments.

³ Illinois Commerce Commission comments, p. 1.

The revenues for rate-of-return companies are directly based on revenue requirement calculations using accounting information recorded in conformance with USOA and other Commission rules. Specific interstate and intrastate rates are established using accounting data. Absent a standard accounting system it will be impossible to validate over or under earnings, cost allocations, and the need for support. This will result in a great deal of uncertainty on the part of everyone: management and regulators alike. Uncertainty will become a barrier to investment.

In its comments the Rural Utilities Service (RUS) said: "... it is critical that uniform accounting and reporting rules be maintained so that proper cost data can be collected to ensure sufficient Universal Service support."⁵ RUS also said: "Relying solely on generally accepted accounting principles (GAAP) is insufficient and not helpful because GAAP is subject to interpretation and often allows various options for accounting and reporting."⁶ We agree with RUS.

The USOA has been in use for decades and has worked. There is nothing to be gained from resorting to GAAP that will create uncertainties and impose added burdens without any discernable benefits. AT&T questions the wisdom of eliminating accounting requirements in the face of recent developments including the collapse of Enron and Global Crossing.⁷ Its call for caution is warranted. GAAP is simply too imprecise for regulatory purposes.

NTCA urges the Commission to continue the current accounting rules for rate-of-return carriers. Carriers are familiar with the USOA and will not benefit from change to

⁴ *Id.*, p. 1.

⁵ RUS comments, p. 2.

⁶ RUS comments, p. 2.

⁷ AT&T comments, p. 2.

GAAP. Tariffs under the rate-of-return regulatory regime are based on USOA data. A change or elimination of the USOA would require a substitute system to coexist with rate-of-return regulation. There is no benefit to eliminating a system that works and replacing it with one that is subject to interpretation.

Respectfully submitted,

NATIONAL TELCOMMUNICATIONS
COOPERATIVE ASSOCIATION

By: /s/ R. Scott Reiter
R. Scott Reiter
Senior Telecommunications
Specialist

By: /s/ L. Marie Guillory
L. Marie Guillory

Its Attorney

4121 Wilson Boulevard, 10th Floor
Arlington, VA 22203
(703) 351-2000

May 7, 2002

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Reply Comments of the National Telecommunications Cooperative Association in CC Docket No. 00-199, CC Docket No. 80-286, CC Docket No. 99-301, FCC 01-305 was served on this 7th of May 2002 by first-class, U.S. Mail, postage prepaid, to the following persons.

/s/ Gail C. Malloy

Gail C. Malloy

Chairman Michael Powell
Federal Communications Commission
445 12th Street, SW, Room 8B201
Washington, D.C. 20554

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, D.C. 20554

Commissioner Kathleen Q. Abernathy
Federal Communications Commission
445 12th Street, SW, Room 8-A204
Washington D.C. 20554

Mark C. Rosenblum, Esq.
Judy Sello, Esq.
AT&T Corp.
295 North Maple Avenue
Basking Ridge, NJ 07920

Commissioner Kevin J. Martin
Federal Communications Commission
445 12th Street, S.W., Room 8-C302
Washington, D.C. 20554

George N. Barclay
Associate General Counsel
Personal Property Division
Michael J. Ettner
Senior Assistant General Counsel
Personal Property Division
General Services Administration
1800 F Street, N.W., Room 4002
Washington, D.C. 20405

Commissioner Michael J. Copps
Federal Communications Commission
445 12th Street, S.W., Room 8-A302
Washington, D.C. 20554

Qualex International Portals II
445 12th Street, S.W.
Room CY-B402
Washington, D.C. 20554

Economic Consultants
Snaveley King Majoros O'Connor & Lee,
Inc.
1220 L Street, N.W., Suite 410
Washington, D.C. 20005

James Bradford Ramsay
General Counsel
Sharla Barklind, Assistant General
Counsel
National Association of Regulatory
Utility Commissioners
1101 Vermont Avenue, N.W., Suite 200
Washington, D.C. 20005

James T. Hannon, Esq.
Sharon J. Devine, Esq.
Qwest Corporation
1020 19th Street, N.W., Suite 700
Washington, D.C. 20036

Juanita Harris, Esq.
Gary L. Phillips, Esq.
Paul K. Mancini, Esq.
SBC Communications Inc.
1401 I Street, N.W., Suite 400
Washington, D.C. 20005

Ann H. Rakestraw, Esq.
Michael E. Glover
Edward Shakin
Of Counsel
Verizon
1515 North Courthouse Road
Suite 500
Arlington, VA 22201

David W. Zesiger, Executive Director
The Independent Telephone &
Telecommunications Alliance
1300 Connecticut Avenue, N.W.
Suite 600
Washington, D.C. 20036

Karen Brinkmann, Esq.
Richard R. Cameron, Esq.
Jeffrey A. Marks, Esq.
Latham & Watkins
1001 Pennsylvania Avenue, N.W.
Suite 1300
Washington, D.C. 20004-2505

William D. McCarty, Chairman
Indiana Utility Regulatory Commission
Indiana Government Center South
302 West Washington Street
Suite E306
Indianapolis, IN 46204

Paul Glist, Esq.
Brian M. Josef, Esq.
Cole, Raywid & Braveman, LLP
1919 M Street, N.W.
Washington, D.C. 20006

Daniel L. Brenner, Esq.
David L. Nicoll, Esq.
Counsel for the National Cable &
Telecommunications Association
1724 Massachusetts Avenue, N.W.
Washington, D.C. 20036-1903

Alan Buzacott, Esq.
WorldCom, Inc.
1133 19th Street, N.W.
Washington, D.C. 20036

Jennifer M. Granholm, Attorney General
David A. Voges
Steven D. Hughey
Henry J. Boynton
Assistant Attorneys General
Michigan Public Service Commission
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911

Kathleen F. O'Reilly, Attorney at Law
National Association of State Consumer
Utility Advocates
414 "A" Street, Southeast
Washington, D.C. 20003

Michael J. Travieso, Esq.
Office of People's Counsel
Chairman, NASUCA
Telecommunications Committee
6 St. Paul Street, Suite 2102
Baltimore, MD 21202

Jay C. Keithley, Esq.
Richard Juhnke, Esq.
Sprint Corporation
401 9th Street, N.W. #400
Washington, D.C. 20004

Hilda Gay Legg, Administrator
Rural Utilities Service
1400 Independence Ave., S.W.
Stop1530
Washington, D.C. 20250